MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2018/2019

BBF2044 – BANK MANAGEMENT

15 OCTOBER 2018
2.30 p.m. – 4.30 p.m.
(2 Hours)

INSTRUCTIONS TO STUDENTS

1. This Question paper consists of 2 pages with 4 Questions only.

2. Attempt **ALL Four** (4) questions. All questions carry equal marks and the distribution of the marks for each question is given.

3. Please print all your answers in the Answer Booklet provided.

QUESTION 1

The determinants of bank profitability in its broadest sense were divided into 2 main parts:

a. Internal determinants
b. External determinants

The hypothesis theories related to the profitability of commercial banks. The four main profitability theories namely the structure-conduct-performance (SCP) hypothesis, the efficient-structure (ES) hypothesis, the expense preference (EP) hypothesis and the Galbraith-Caves Risk-avoidance hypothesis.

You are required to discuss **Five (5)** internal and **Five (5)** external determinants that affect bank profitability and explain each relevant hypothesis as to how it impacts bank profitability.

(Total 25 marks)

QUESTION 2

a. Explain two types of capital measured with the Capital Adequacy Ratio (CAR) and discuss the importance of the capital adequacy ratio to bank customers and shareholders.

(15 marks)

b. Discuss some of the techniques practised by the commercial bank regulatory authorities to control over the activities of commercial banks. (10 marks)

(Total 25 marks)

QUESTION 3

a. There are **five (5)** principles for the Assessment of Internal Control Systems in commercial banks. Discuss the principles in depth. (15 marks)

b. Explain why financial intermediation and economic growth are important for Malaysia. (10 marks)

(Total 25 marks)

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QUESTION 4

a. Eventually, cautious liquidity management practises as function of the overall risk management of the commercial banking institutions to guarantee a healthy and steady banking sector. Discuss this statement. (15 marks)

b. What is the function of the Bank of International Settlements? Explain each of its functions and practices. (10 marks)

(Total 25 marks)

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